

# Allowable Uses of ARPA Money

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# Preview of Discussion

1. The American Rescue Plan Act of 2021
  - Coronavirus State Fiscal Recovery Fund and the allowable uses of the money the state received from the fund
2. General Assembly's Allocation of the Money
3. Economic Loss and Recovery Cash Fund
  - Allowable uses

# ARPA

## American Rescue Plan Act of 2021 (ARPA)

- H.R. 1319, Pub.L. 117-2
- \$1.9 trillion in aid and benefits
- Includes:
  - Economic impact payments to individuals, restaurant revitalization fund, paycheck protection program, expansion of the child tax credit and other credits, other capital projects fund, home owners assistance fund, emergency rental assistance, \$130 billion for K-12 education and \$40 billion for universities, supplemental unemployment benefits...

# ARPA

## Also includes:

- Coronavirus Local Fiscal Recovery Fund

Unlike the Coronavirus Relief Fund distribution, local governments have a separate allocation under ARPA.

- Coronavirus State Fiscal Recovery Fund

This is the federal relief money that the General Assembly appropriates.

# APRA

- Under ARPA, \$219 billion is appropriated to the Coronavirus State Fiscal Recovery Fund
- General purpose is for making payments to states, territories, and Tribal governments to mitigate the fiscal effects stemming from the public health emergency with respect to COVID-19
- Requires pro rata distribution to the states
- Colorado's share = **\$3,828,761,790**

# Coronavirus State Fiscal Recovery Fund Components

- Specifies the four allowable uses
- Requires the state to use the funds provided by **12/31/24**
- State has to provide periodic reports to the Secretary of Treasury
- **Recoupment:** State is required to repay any amount that is not used for an authorized purpose

# Coronavirus State Fiscal Recovery Fund

## Allowable Uses

1. To respond to the public health emergency with respect to the Coronavirus Disease 2019 (**COVID-19**) or its **negative economic impacts**, including assistance to households, small business, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
2. To respond to workers performing essential work during the COVID-19 public health emergency by providing **premium pay to eligible workers** of the state, territory, or Tribal government that are **performing such essential work**, or by providing grants to eligible employers that have eligible workers who perform essential work;

# Coronavirus State Fiscal Recovery Fund

## Allowable Uses

3. For the provision of **government services to the extent of the reduction in revenue** of such state, territory, or Tribal government due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or Tribal government prior to the emergency; or
4. To make **necessary investments in water, sewer, or broadband infrastructure.**

### Shorthands:

1. To respond to COVID-19 or its negative economic impacts;
2. Premium pay for eligible workers;
3. For government services to the extent of the reduction in revenue; or
4. Necessary investments in water, sewer, or broadband infrastructure



# Coronavirus State Fiscal Recovery Fund

## Allowable Uses

### **Additional Allowable Uses:**

- State is authorized to transfer money to certain nonprofits, Tribal organizations, public benefit corps involved in the transportation of passengers or cargo, or a special-purpose unit of state or local government

### **Prohibited Uses:**

- May not deposit the money into a pension fund
- Cannot use the revenue to directly or indirectly offset a net tax revenue loss

# Coronavirus State Fiscal Recovery Fund

## Allowable Uses

U.S. Department of Treasury published FAQs and Interim Final Rules to implement the Coronavirus State Fiscal Relief Fund, which includes pages of helpful supplementary materials (SM)

### Key Provisions of Rule

- “Use by 12/31/24” means obligate the funds by 12/31/24 and expend for those obligations by 12/31/26
- Establishes the calculation for determining the reduction in general revenue as of December 31 of 2020, 2021, 2022, and 2023
- Clarified how the prohibition on tax reduction works

# Coronavirus State Fiscal Recovery Fund

## Allowable Uses

### Key Provisions of Rules (cont.)

- Provides a non-exclusive list of eligible uses in 31 CFR § 35.6, many of which are explained in the supplementary materials
  - For example:
    - Law:** To respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts
    - Rule:** A recipient may use funds for ... [e]xpenses for disinfection of public areas and other facilities in response to the COVID-19 public health emergency
- Advantage = uses seem to be pre-approved by Treasury

# Coronavirus State Fiscal Recovery Fund

## Allowable Uses

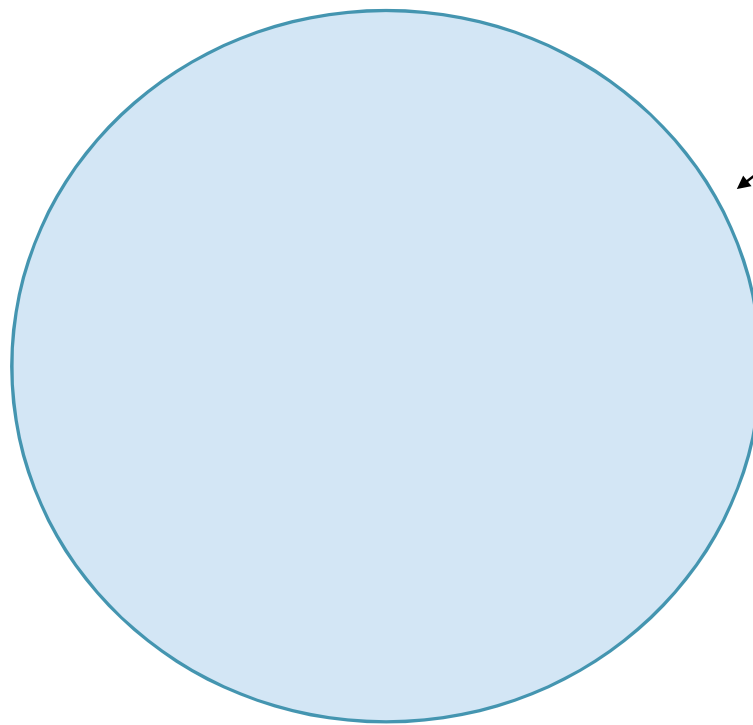
### Key Provisions of Rules (cont.)

- In determining whether a program “responds” to the COVID-19 public health emergency, identify:
  1. A need or negative impact of the COVID-19 public health emergency; and
  2. How the program, service, or other intervention addresses the identified need or impact.
- In determining whether a program or service “responds” to the negative economic impacts of COVID-19, assess:
  1. The connection between the negative economic harm and COVID-19;
  2. The nature and extent of that harm; and
  3. How the program or service would address the harm.

SM, pgs 10 and 11.

# Coronavirus State Fiscal Recovery Fund

## Allowable Uses




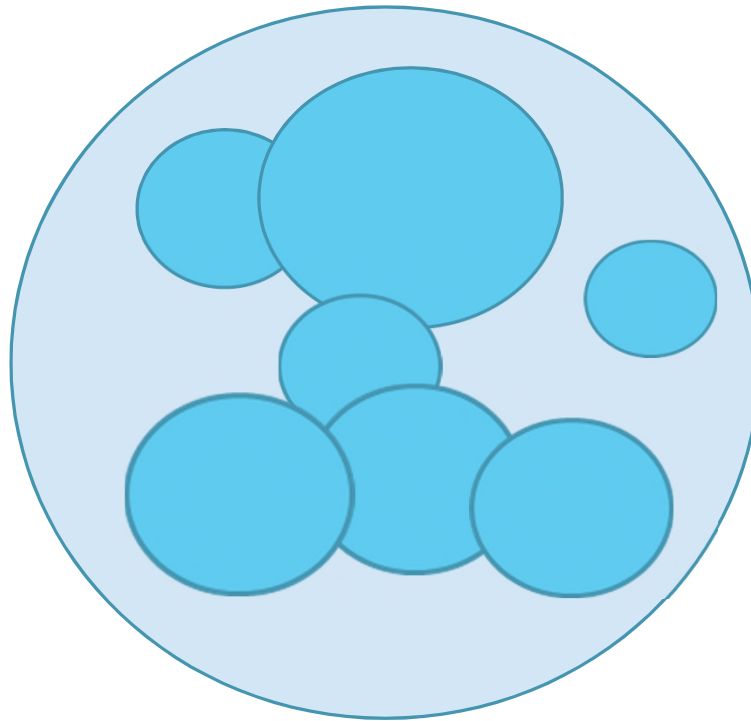
Allowable Uses  
Under Federal  
Law.




# Coronavirus State Fiscal Recovery Fund

## Allowable Uses

Allowable Uses  
Under State  
Law after  
2021 = 



Allowable uses  
Under Federal  
Law.



# Coronavirus State Fiscal Recovery Fund

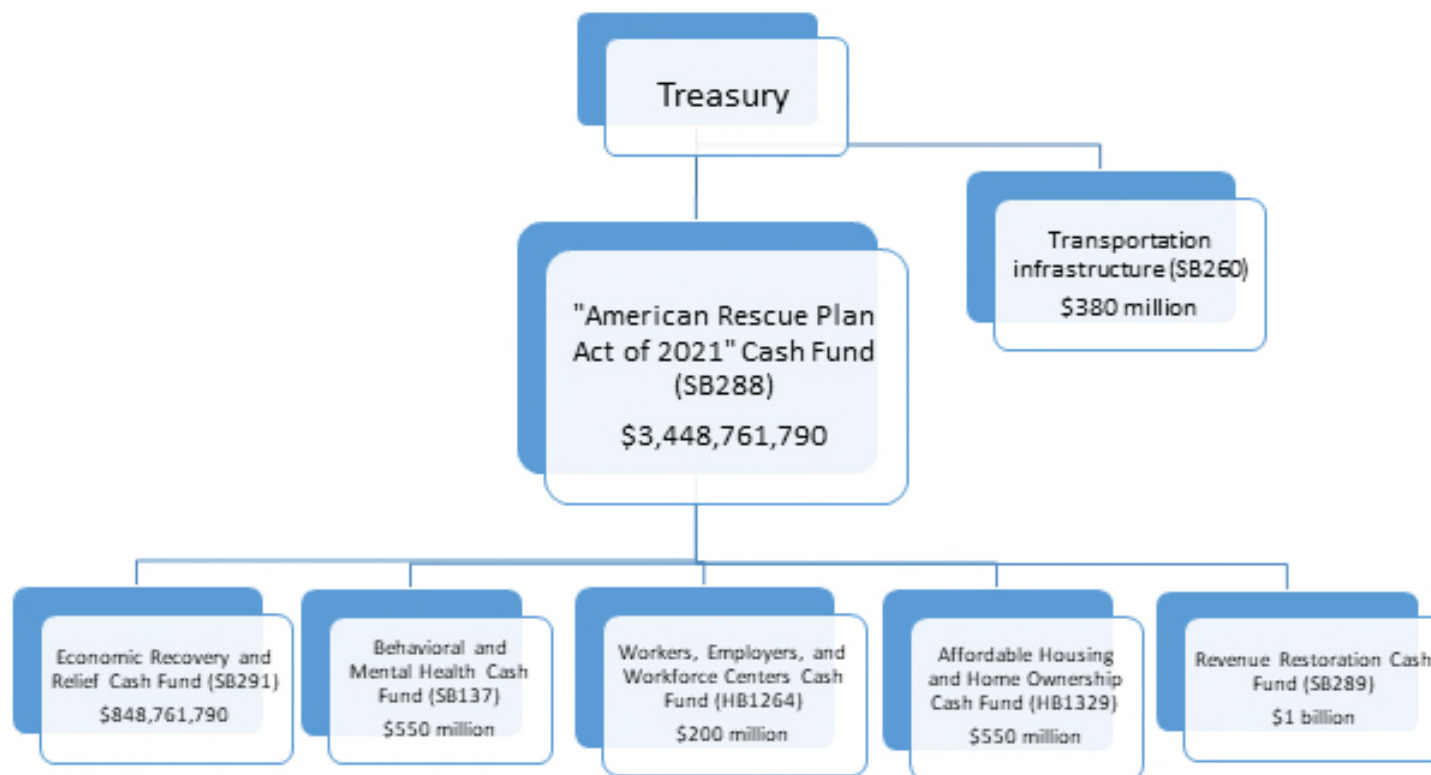
## State Allocation

During the 2021 Session, the general assembly enacted 7 bills allocating the \$3.82 billion.

- Established the framework for spending the money
- Within that, appropriated or transferred over \$1.2 billion.

# Coronavirus State Fiscal Recovery Fund

## State Allocation



1. ARPA CF = \$3.4B (\$300M)
2. SB260 = \$380M
3. Economic Recovery and Relief CF = \$848.7M
4. Behavioral and Mental Health CF = \$550M
5. Workers, Employers, and Workforce Centers CF = \$200M
6. Affordable Housing and Home Ownership CF = \$550M
7. Revenue Restoration CF = \$1B



# Coronavirus State Fiscal Recovery Fund

## State Allocation

### **The American Rescue Plan of 2021 Cash fund (§24-75-226)**

- Money mostly passes through to other cash funds (exception is SB 21-260);
- Creates general requirement that the money has to be used consistent with the federal law;
- Establishes reporting requirements for recipients;
- Requires the state controller to report spending to Treasury Department (creates companion fund); and
- Leaves \$300 million in the fund for distribution by the Governor for any use allowed under federal law.

# Coronavirus State Fiscal Recovery Fund

## State Allocation

### Behavioral and Mental Health Cash Fund (§24-75-230)

- To respond to the public health emergency with respect to COVID-19 or its negative economic impacts, the general assembly may appropriate money from the fund to a department for mental health treatment, substance misuse treatment, and other behavioral health services.
- 31 CFR § 35.6 (b)(xviii)

# Coronavirus State Fiscal Recovery Fund

## State Allocation

### **Workers, Employers, and Workforce Centers Cash Fund (§24-75-231)**

- To respond to [COVID-19], the general assembly may appropriate money from the fund to respond to the negative economic impacts of the COVID-19 public health emergency, including for the following purposes:
  - To provide assistance to unemployed workers
  - To provide assistance to households
  - For programs, services, or other assistance for populations disproportionately impacted by COVID-19
  - Educational or job training services for impacted industries, small businesses, and nonprofit organizations

# Coronavirus State Fiscal Recovery Fund

## State Allocation

### **Affordable Housing and Home Ownership Cash Fund (§24-75-229)**

- To respond [to COVID-19], the general assembly may appropriate or transfer money from the fund to a department or cash fund for programs or services that benefit populations, households, or geographic areas disproportionately affected by the COVID-19 public health emergency to obtain affordable housing, focusing on programs or services that address housing insecurity, lack of affordable and workforce housing, or homelessness.

# Coronavirus State Fiscal Recovery Fund

## State Allocation

### Revenue Restoration Cash Fund (§24-75-227)

- The general assembly may appropriate money from the fund to a department for the provision of government services, including:
  - Third allowable use: For the provision of government services to the extent of the reduction in revenue...
  - The **use** does not have to be tied COVID-19
  - There are some limits: it has to be spent and it can't be used for a pension
  - Amount transferred to the fund was the first calculation minus the \$380 million allocated under SB 21-260
  - Caps the amount that may be spent each year
  - Still have 3 years of calculations

# Coronavirus State Fiscal Recovery Fund

## State Allocation

### **Economic Recovery and Relief Cash Fund (§24-75-228)**

- \$848,761,790 was transferred to the fund
- Transferred or appropriated \$156 million from the fund:
  - \$40 million was transferred to the Colorado economic development fund (SB 21-291)
  - \$5 million for supplies for babies and families (SB 21-027)
  - \$15 million for victim's services (SB 21-292)
  - \$75 million for broadband deployment (HB 21-1289)
  - \$21 million for public health infrastructure (SB 21-243)

# Economic Recovery and Relief Cash Fund

## Current Allowable Uses

### **§24-75-228 (2)(a)** To respond to [COVID-19]...

- I. Assistance to small businesses;\*
  - 31 CFR §35.6 (b)(6)
  - SM, pgs. 34 -35 identified significant challenges for small businesses and suggested loans and grants to mitigate financial hardship
  - Loans, grants, or in-kind assistance for COVID-19 prevention and mitigation tactics

# Economic Recovery and Relief Cash Fund

## Current Allowable Uses

**§24-75-228 (2)(a)** To respond to [COVID-19]...

II. Assistance to individuals and households;

- 31 CFR §35.6 (b)(8)
- Rule: Including cash assistance programs that respond to the COVID-19 public health emergency
- SM p. 33: Includes food assistance; rent, mortgage, or utility assistance; counseling and legal aid to prevent homelessness; cash assistance, etc.



# Economic Recovery and Relief Cash Fund

## Current Allowable Uses

**§24-75-228 (2)(a)** To respond to [COVID-19]...

III. Assistance to nonprofit organizations;

- 31 CFR §35.6 (b)(7)
- Rule: Includes loans, grants, in-kind assistance, technical assistance or other services
- SM pgs. 34 and 35

# Economic Recovery and Relief Cash Fund

## Current Allowable Uses

**§24-75-228 (2)(a)** To respond to [COVID-19]...

IV. Public health expenditures for COVID-19 prevention and response, including expenditures for public health staff;

- 31 CFR §35.6 (b)(1) identifies 18 possible uses
- Items such as vaccinations programs, testing and monitoring, medical and protective supplies, staff, etc.

# Economic Recovery and Relief Cash Fund

## Current Allowable Uses

**§24-75-228 (2)(a)** To respond to [COVID-19]...

- V. Administrative costs associated with COVID-19 public health emergency assistance programs;
  - 31 CFR §35.6 (b)(10)
  - This possibly includes services responding to COVID-19 or its negative impacts that are not federally funded

# Economic Recovery and Relief Cash Fund

## Current Allowable Uses

**§24-75-228 (2)(a)** To respond to [COVID-19]...

### VI. Aid to impacted industries;

- 31 CFR §35.6 (b)(9)
- Rule: Aid to tourism, travel, hospitality, and other impacted industries that responses to the negative impacts of the COVID-19 pandemic
- SM p. 36. Should respond to the negative economic impacts; for ex. mitigation and infection prevention services
- Possible for other industries, but should compare the extent of the industries compared to tourism, travel, and hospitality

# Economic Recovery and Relief Cash Fund

## Current Allowable Uses

**§24-75-228 (2)(a)** To respond to [COVID-19]...

VII. Assistance to unemployed workers;

- 31 CFR §35.6 (b)(4)
- Rule: includes job training
- SM p. 32

# Economic Recovery and Relief Cash Fund

## Current Allowable Uses

**§24-75-228 (2)(a)** To respond to [COVID-19]...

VIII. Contributions to the unemployment compensation fund created in section 8-77-101 (1);

- 31 CFR §35.6 (b)(5)
- Rule: Up to the level required to restore the Unemployment Trust Fund to its balance on 1/27/20 or to pay back advances received between 1/27/20 and the date of the rules

# Economic Recovery and Relief Cash Fund

## Current Allowable Uses

**§24-75-228 (2)(a)** To respond to [COVID-19]...

IX. Relief efforts for unmet needs, especially for communities disproportionately impacted by the COVID-19 pandemic.

- Unmet needs aren't included in the rules
- Disproportionately impacted populations and communities. 31 CFR §35.6 (b)(12), includes a number of uses

# Economic Recovery and Relief Cash Fund

## Current Allowable Uses

**§24-75-228 (2)(b)** To make necessary investments in water, sewer, or broadband infrastructure.

- Fourth allowable use
- 31 CFR 35.6 (e)
  - Projects or activities eligible under Federal Water Pollution Control Act
  - Broadband to provide service to unserved or underserved households and businesses with minimum download speeds
- SM p.62 to 76



# Economic Recovery and Relief Cash Fund

## Other Considerations

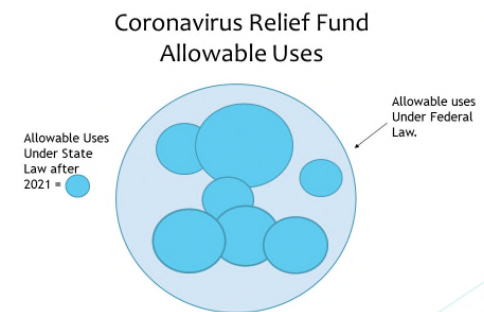
### **Overlap with Other Cash Funds:**

- Uses I, II, III, VI, and VII overlap with the allowable uses of money in the Workers, Employers, and Workforce Centers Cash Fund
- Use IV overlaps with the allowable use of money Behavior and Mental Health Cash Fund
- Use IX overlaps with the allowable uses of the money in the Affordable Housing and Homeownership Cash Fund

# Economic Recovery and Relief Cash Fund

## Other considerations

- Scope of proposed changes depends on the whether you are attempting to comply with the current statutory uses v. allowable uses under the federal law
- Will any money in the fund be available to be used for additional government services?



Any Questions?

